

Minutes of the 62nd Annual General Meeting of Southern Cross Medical Care Society (Society)

Held on Wednesday, 6 December 2023 at 2:30 pm
at Level 1, Te Kupenga, 155 Fanshawe Street, Auckland 1010
and

ONLINE through the Computershare Meeting Platform at
<https://meetnow.global/southerncross>

Present:

Murray Jordan, Chair

Catherine Drayton, Dwayne Crombie, Martin Misur, Julia Raue, David
Bridgman and Chris Black (Directors)

Senior Management and advisors, including N Astwick,
K Boielle, S Daniels, N Barker, R Salton and L Valiant, G Dyer,
J Levesque (Secretary), J Munro (KPMG, External Auditor), J Smeed (Finity
Consulting, Appointed Actuary) and others totaling approximately 40
Members.

Welcome:

The Chair welcomed Members and attendees to the Annual General
Meeting (AGM).

Meeting guidance:

The Chair outlined the voting and questions protocols to be followed in
dealing with the various motions to be considered at the AGM.

Introduction:

The Chair introduced the Directors, the new Director candidate, Nagaja
Sanatkumar, and the Chief Executive Officer (CEO), Nick Astwick.

Notice of Meeting and Quorum:

It was recorded that Notice of the AGM had been given in accordance with
the Rules of the Society, and as there was a quorum present, the AGM was
declared open, and voting was declared open on all items of business.

Chair's address:

- The Chair acknowledged the trust Members place in the Society to ensure premiums are used wisely to support the entire Society membership. The Chair noted that Society is focused on keeping premiums as low as possible and as a result is forecasting another deficit for the financial year ending 30 June 2024 (FY24). The Society continues to be focused on the costs of running the Society and noted the external pressures on cost such as increased regulation and the inflationary environment.
- The Chair noted following the surplus in 2022, the Society had committed to keeping premium increases as low as possible in 2023, in respect of the cover and service provided. This has been delivered and is a contributing factor to the FY23 deficit reported. The Society continues to have access to health care as a top priority while operating in the environment of higher cost of living.

**Chief Executive's
address:**

- The Chair acknowledged and thanked outgoing Director Catherine Drayton whose contribution and wise counsel has been highly valued by the Board.
- On behalf of the Board, the Chair thanked the CEO and his team for their hard work, consistently delivering care and support to the Society's Members.
- The CEO welcomed Members and attendees to the AGM and introduced the Society Leadership Team. The CEO noted the Society is committed to deliver on its purpose of empowering Members to live their healthiest lives.
- The CEO discussed some key features of FY23, including:
 - The Society's membership increase of nearly 32,000 net new Members in FY23, bringing the membership to 940,105, the highest membership since 1992. The Society also had 233 new businesses join Southern Cross in FY23.
 - More than 88 cents of every dollar received in premiums was returned to members in claims. This represents paying out \$1.295 billion in claims from \$1.466 billion in premium received. The Society makes up 60% of the health insurance market but pays 72% of the value of claims in Aotearoa New Zealand.
 - The Society is committed to maintaining its position as Members trusted health insurer, providing assurance that access to healthcare is there when you need it. The Society has seen its Customer Effort Score and Net Promoter scores remain high at 82% and 53 respectively.
 - The Society continues to be focussed on ensuring value for Members. It is aware of the impact on Members from higher costs of living and aims to keep premium increases as low as possible. This was seen in the deficit reported for FY23. Members can consider changing their excess either via Manage My Cover or contacting the Society. In addition, Management constantly monitors the speed and access members have for treatments and continue to advocate for members' timely access.
 - The importance for the Society to retain young and healthy members as health care needs increase as members age. The Society remains loyal to older and loyal members who receive a higher pay-out compared to younger, newer members.
 - The Society investment subsidiaries continue to innovate and grow with the Travel business seeing a strong post-Covid recovery and Pet now insuring more than 60,000 pets.

Finance Report:

- The Chief Finance Officer (CFO), Skye Daniels, discussed the financial highlights for FY23, including:

- The Health Society Group delivered a deficit of \$16.5 million in FY23, noting that this comprised an operating loss of \$44 million, a \$1.5m elimination on consolidation and offset by a \$29 million gain on investment returns.
- In 2022, Management and Board signaled that the some of the FY22 surplus could be utilised to keep premium increases lower than otherwise expected. This was achieved but resulted in Society returning a \$5.4 million deficit.
- Overheads were higher in FY23 compared to FY22 results due to the inclusion of the Travel business in the financial statements, increased salary costs and transformation costs.
- Outlining premiums received versus claims paid and where every dollar in premiums is spent which includes 88.4 cents on paying claims.
- Investment performance have been mixed due to global market conditions. Investments are invested conservatively to achieve prudent balance of yield, liquidity and risk. Investments were valued at \$730.3 million at the end of FY23.
- Responsible investment is important to the Board, Trustees and the Society's stakeholders. Russell Investments manages 40 % of the investment portfolio that is not managed in-house. Russell Investments is a UNPRI (UN Principles for Responsible Investment) signatory and has committed to a net-zero carbon emissions goal by 2050 or sooner.
- As at 30 June 2023, the Health Society Group held net assets of \$597.3 million, with the Society holding \$595.3 million. The Society has retained it's A+ Standard & Poor's financial strength rating.
- Looking ahead to FY24, Management expect a deficit in FY24 and this is not unusual following a surplus or a high inflationary environment.

Formal Business:

The Chair recorded that the Annual Report and audited consolidated Financial Statements for the Society for the year ended 30 June 2023 have been made available to Members.

The Chair opened the Meeting for questions about the Annual Report and FY23 Financial Statements, and also invited Members to direct questions to Jamie Munro from KPMG, the audit partner, on the audit report or the audit process.

There were no member or proxy questions on the Annual Report or FY23 Financial Statements.

Formal Resolutions:

Before considering the resolutions set out in the Notice of Meeting, the Chair indicated that resolutions 1, 2 and 3 were ordinary resolutions and are required to be passed by a simple majority of the votes of those qualified Members entitled to vote and voting on the resolution.

Resolution 1 – To re-elect Martin Misur as a Director of Southern Cross Medical Care Society

The Chair noted that the Rules of the Society (the Rules) require two Directors to retire at each AGM. If the Directors are eligible, they may offer themselves for re-election.

To be eligible to hold office as a Director of the Society, an individual must meet and continue to meet the requirements of the Fit and Proper Standard set by the RBNZ, the Rules and any other applicable law, and must not otherwise be disqualified.

Catherine Drayton and Martin Misur are the two Directors who will retire at the Meeting. Catherine Drayton will not be seeking re-election, and Martin Misur, being eligible for re-election, and having been nominated, will stand for re-election.

Martin Misur spoke briefly to the motion.

The resolution was moved by the Chair. There were no questions on the resolution.

Following the meeting, the votes cast by electronic postal vote (in person and by proxy) were counted, and the motion was passed (refer Postal Votes Certificate attached as Annexure 1).

Resolution 2 – To appoint Chris Black as a Trustee of Southern Cross Medical Care Society

The Chair set out the role of a Trustee and noted that due to Catherine Drayton's retirement as a Director and Trustee at the Meeting, there is one Trustee vacancy. The Board has nominated Director Chris Black as the candidate for this vacancy.

Chris Black spoke briefly to the motion.

The resolution was moved by the Chair. There were no questions on the resolution.

Following the meeting, the votes cast by electronic postal vote (in person and by proxy) were counted, and the motion was passed (refer Postal Votes Certificate attached as Annexure 1).

Resolution 3 – To elect Nagaja Sanatkumar as a Director of Southern Cross Medical Care Society

The Chair noted that due to the retirement of Catherine Drayton at the Meeting, the Board, through an independent recruitment firm, Propero, undertook a robust and thorough search for a Director candidate to fill the vacancy. As a result, Nagaja Sanatkumar has been identified and nominated in accordance with the Rules, as Director candidate, and, if elected, his appointment will take effect from 1 January 2024.

The Board believes Nahaja Santakumar will make a significant contribution to the Society, and her background and skill set will complement the skills of his fellow Directors. On this basis, the Board recommended Nagaja Sanatkumar as Society Director and supported his election.

Nagaja Santakumar briefly spoke to the motion.

The resolution was moved by the Chair. There were no questions on the resolution.

Following the meeting, the votes cast by electronic postal vote (in person and by proxy) were counted, and the motion was passed (refer Postal Votes Certificate attached as Annexure 1).

**General
Business and
Questions:**

With voting on the resolutions concluded, the Chair invited Members to raise any general questions and comments.

The comments and questions received were as follows:

- A Member asked a question about the action the Society is taking to monitor the cost of healthcare services. The CEO discussed Society's approach to cost management via the Affiliated Provider program and noted the cost savings the Society has achieved since implemented this program. The CEO also noted the efficiency in systems and technology to support the cost of healthcare being as low as possible for members.
- A Member asked a question about the Society's cancer policies in comparison to other health insurers. The CEO discussed the current limits on different cancer-related policies included the option for Members to purchase addons. The CEO noted that the addons allow Members to select relevant policies while limiting the impact to premiums for the collective membership.
- A Member asked a question whether the Society consults Members when removing benefits from a policy. The CEO discussed the Society's approach to policy changes noting that Members are involved in policy design.
- A Member asked a question on the Society's excesses and whether it would be considered to increase them. The CEO noted the current maximum is \$4,000.00 and the Society needs to ensure that excess isn't too high that it becomes a barrier to accessing healthcare.
- A Member asked a question about the Society's business improvements in relation to member experience. The CEO noted the investment the Society has made in transformation projects including an improved MySouthernCross App and discussed the Society's constant desire to automate and improve processes where it can.
- A Member asked a question relating to the Society's approach to testing offered by healthcare providers. The Acting COO noted that the Society doesn't determine treatment pathways for members and that certain tests are excluded to ensure the costs impact to premiums is managed appropriately.
- A Member asked a question about the Society's quality assurance for the Society's Affiliated Providers. The CEO noted that the Society collects data from Members on their experience with healthcare providers. The data is shared with healthcare providers and the Society Management

actively work with lower performing health care providers to work toward improving Member experience.

- A Member asked a question about the Society's future strategy and plan for iwi/hapu. The CEO discussed that there had been an increase in engagement from iwi and hapu and the Society wants to make sure it can build long term partnerships.
- A Member asked a question about AI and the impact on the Society. The CEO discussed the benefits and risk of AI and that the Society is actively looking how it can be utilised to enhance productivity.
- A Member asked a question about the Society's funding of medicines that are not funded by Pharmac. The CEO discussed the approach to funding medicines and noted that in certain cancer modules there is cover for non-Pharmac medicines.
- A Member asked a question about chronic illness exclusions. The Acting COO discussed the Society's model to ensure access for the collective membership while acknowledging some treatments are catered for by the public health system.
- A Member asked a question about stem cell therapy. The Acting COO noted that the Society is always considering new medicines while ensuring access remains available to all Members.
- A Member asked a question about the new candidate director's experience in the health care and insurance sector. The Chair discussed that the Board's composition required a mixture of expertise, skills and knowledge and noted Nagaja's experience would be a benefit to the Board.

The Chair thanked Members for their attendance, as well as their contributions and thoughtful questions. Those Members attending in person were invited to join the Board and Management for refreshments.

The meeting closed at 3.35 pm.



Chair

23 February 2024

Date

Annexure 1



Southern Cross Medical Care Society Annual General Meeting 2023

POSTAL VOTES CERTIFICATE

Resolution	For	Against
1. To re-elect Martin Misur as a Director of Southern Cross Medical Care Society.	3,103	179
2. To appoint Chris Black as a Trustee of Southern Cross Medical Care Society.	3,095	165
3. To elect Nagaja Sanatkumar as a Director of Southern Cross Medical Care Society.	2,919	279

I, Jordan Levesque, have been authorised by the Board to receive and count postal votes for the 2023 Southern Cross Medical Care Society Annual General Meeting.

I have carried out the duties set out in Rule 13.13 (e) (i) and (ii) and the postal vote results are shown in the table above.

Signed  Date 6 December 2023